

Supplemental Report
By the
Global Issues Committee
Tax Credit Review Commission
November 2012

Committee Members

Senator Chuck Gross, Co-Chair

Steven Stogel, Co-Chair

Mark Gardner

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Craig Van Matre

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Tom Reeves

Missouri Tax Credit Review Commission

Supplemental Report of the Global Issues Committee November, 2012

COMMITTEE HEARING

A hearing notice was posted on the TCRC website (<http://tcrc.mo.gov>) and the Global Issues Committee convened with a quorum at the University Club of MU, Columns Room C, Columbia, Missouri and by teleconference on November 16, 2012 at 9:30 a.m. to hear expert testimony on the topic of “return on investment and cost reasonableness” and to discuss “tax credit caps”, “sunsets”; the “repeal of 28 tax credits”; “carry forward” and “carry back” features; common “claw backs” and penalty language; and tax credits and the annual appropriations process. Additional topics discussed included “stacking” credits, “related party transactions”, the impacts of the recession, “shadow” housing and bidding and competitive procurement practices.

COMMITTEE RECOMMENDATION AND CONCLUSION

The Committee hereby re-adopts and reaffirms the entirety of its report prepared in 2010 with the following modifications:

RETURN ON INVESTMENT/COST REASONABLENESS

The Committee recognizes the availability of additional tools by which to measure tax credits in addition to a cost benefit measure. The Committee suggests that the General Assembly evaluate cost effectiveness measures that may depict the performance and efficiency of a tax credit program in addition to the fiscal cost and return to the state. The Committee also recognizes that different measures may be more applicable to different kinds of credits and the value of specifically tailored effectiveness measures may provide more usefulness to policy makers than any one common measure.

SUNSETS

In lieu of the previous sunset chart recommended in the 2010 TCRC report, the Committee recommends the following:

Periodic Review

The Global Issues Committee strongly supports the following principles to ensure certainty in tax credit programs provided by law. No tax credits should be subject to the annual appropriations process. The General Assembly should periodically review all tax credit programs using standardized evaluation criteria that take into account the return on investment to the state, the overall economic impact and cost effectiveness of the program.

Transition Rules

Before eliminating any tax credit, the General Assembly should provide a fair and adequate period of time prior to the elimination taking effect according to an orderly transition process. Any tax credit proposed for elimination or reduction should be based on authorizations only and all previously authorized tax credits shall be honored by the State.

RELATED PARTY TRANSACTIONS

The Committee recommends the General Assembly provide agencies more authority to define related party transactions and provide applicable limitations to benefits provided to related parties.

BIDDING AND PROCUREMENT

The Committee recommends the General Assembly provide agencies more authority to require government procurement and bidding practices of recipients of tax credits with the intent to assure competitive costs.

Respectfully submitted on behalf of the members of the Global Issues Committee,

Senator Chuck Gross, Chairman